Hawaiian Electric Company, Inc. • PO Box 2750 • Honolulu, HI 96840-0001

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October 21, 2009

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PUBLIC UTILITIES COMMISSION

The Honorable Chairman and Members
of the Hawaii Public Utilities Commission
Kekuanaoa Building, First Floor
465 South King Street
Honolulu, Hawaii 96813

Dear Commissioners:

Subject: Docket No. 2008-0083 – Hawaiian Electric 2009 Test Year Rate Case
Hawaiian Electric's Responses to Commission Information Requests

Enclosed for filing are Hawaiian Electric Company, Inc.'s ("Hawaiian Electric") responses to the following information requests ("IRs") issued by the Commission to Hawaiian Electric on October 5, October 12,[1] and October 20, 2009: PUC IRs 126, 131, 137, 163, 168, 177, 178, 179, 185, 187, 188, and 189.[2] The responses to PUC IRs 126 and 168 contain confidential information and are provided subject to the Protective Order filed on November 21, 2008 in this proceeding.

Very truly yours,

Enclosures

cc: Division of Consumer Advocacy
Michael L. Brosch, Utilitech, Inc.
Joseph A. Herz, Sawvel & Associates, Inc.
Dr. Kay Davoodi, Department of Defense
James N. McCormick, Department of Defense
Theodore E. Vestal, Department of Defense
Ralph Smith, Larkin & Associates

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[1] In its October 5th letter, the Commission directed the applicable parties to respond to the IRs within fourteen days of the date of the letter. In its October 12th letter, the Commission directed the applicable parties to respond to the IRs within seven days of the date of the letter. Because the letters were served by mail, Hawaii Administrative Rules § 6-61-21(e) allows for the addition of two days to the prescribed period. Therefore, the due date for the responses is October 21, 2009. Accordingly, these responses are timely filed.

[2] The IRs issued by the Commission on October 5th, October 12th, and October 20th were numbered as PUC-IR-116 through PUC-IR-189. For reference purposes, Hawaiian Electric has renumbered them as PUC-IR-118 through PUC-IR-191 to follow in sequential order from the IRs previously submitted by the Commission. This was done to avoid confusion with previous IRs which were similarly numbered.

PUC-IR-126

According to page 2 of HECO ST-14:

"The increase [in lease expenses] is primarily due to the addition of four new leases amounting to $288,000 in the 2009 test year rate case estimates..." Further, "the increase is primarily due to the addition of four new leases amounting to $288,000 in the 2009 test year rate case estimates..."

According to HECO's response to part A of CA-345, "The portion of the new leases space attributable to the four needs are: 1) HCEI initiatives, 9,751 square feet, or 38%..."

Was this portion of the lease expense removed from interim rates? If not, please describe why it should remain in rates if HCEI costs are disallowed.

HECO Response:

In addition to responding to the specific questions in this IR, HECO is also providing an update to the status of the four new leases amounting to $288,000 in the 2009 test year rate case estimates.

The portion of the new leases attributable to HCEI initiatives, as referenced in HECO's response to CA-IR-345 (Revised 3/31/09), was not removed from the revenue requirements used to determine interim rates. These included (1) the AMI Division which planned to relocate to the proposed Cooke Street leased property, and (2) the Renewable Energy Power Purchase Division (the impact of this division resulting from the March 2009 reorganization is further discussed below) which planned to relocate to the proposed Central Pacific Plaza 21st floor leased office space. To clarify, the Interim Decision and Order in Docket No. 2008-0083 ("ID&O") directed the Company to exclude certain HCEI-related costs from interim rate relief – i.e. those costs that were associated with HCEI-related applications that had not yet obtained Commission approval. Not all costs that were associated with HCEI initiatives were subject to exclusion from interim rate relief. Hawaiian Electric did not exclude the above lease costs from its 2009 test year revenue requirement for interim relief purposes because as explained in the Company's response to PUC-IR-119, the AMI Division was not subject to exclusion from interim rate relief. As this response explains below, two of the four positions in the Power Purchase Negotiation Division were temporarily assigned to the Power Purchase Administration Division and did not perform any HCEI-related work subject to Commission approval; while only 25% of the work performed by the other two positions was HCEI-related work subject to Commission approval. Therefore, lease costs for the space required by these groups should be included in interim rate relief. Further, the ID&O did not specify that lease costs should be excluded from interim rate relief.

The Company's response to PUC-IR-118, page 2 stated the following:

> When Hawaiian Electric received the Commission's letter dated April 6, 2009 stating not to include any mechanisms or expenses in the Statement of Probable Entitlement related to programs or applications that have not been approved by the Commission, it assumed that it could include positions that worked on other HCEI-related initiatives. These initiatives included those whose implementation were not subject to Commission approval of a Company application, such as negotiating renewable power purchase agreements. Work required to plan for and prepare HCEI applications and to support Company involvement in HCEI-related proceedings before the Commission was assumed to be allowed. Hawaiian Electric also assumed that it could still include positions that did a combination of some work covered and some work not covered by the April 6 letter. In hindsight, the Company should have clarified the functions of these positions to show that it was abiding with the April 6 letter.

After the Company filed its *Revised Schedules Resulting from Interim Decision and Order*, July 8, 2009, the Consumer Advocate filed its comments on the Company's revised schedules on July 15, 2009, in which it stated on page 1 "...the Consumer Advocate believes that HECO's proposed adjustments were conservatively prepared, views the revised schedules as being in general compliance with the Commission's Interim D&O and does not have any objections to HECO's filing." On page 2, the Consumer Advocate stated "...the intent of the Interim D&O may be subject to interpretation. Some reasonable dispute may exist as to the level and scope of Hawaii Clean Energy Initiative ("HCEI") related costs that should be included in or excluded ...".

The Company filed a letter, *Comments on the Consumer Advocate's July 15, 2009 Letter*, on July 17, 2009. The Company stated on page 2 of its July 17, 2009 letter "Section II.1. of the ID&O specified three types of HCEI-related items that would be excluded from interim rate relief: a) sales decoupling, b) HCEI-related positions, c) HCE[I]-related outside services. The remaining items specified in the Consumer Advocate's Attachment 1 are not associated with sales decoupling or HCEI-related positions." On August 3, 2009, the Commission issued its *Order Approving HECO's Revised Schedules*, which stated the following:

> The commission has reviewed the Revised Schedules and subsequent filings by HECO and the Consumer Advocate. Based on that review and on the entire record herein, the commission finds HECO's adjustments in the Revised Schedules to be reasonable and in compliance with the Interim Decision and Order...

In addition to the Company's July 17, 2009 letter, the following further supports and explains the Company's rationale for not including that portion of the four new leases which were identified as HCEI-related in its revised March 31, 2009 response to CA-IR-345.

HECO ST-15C provided a historical summary of the AMI Division on pages 3 to 4. To reiterate, with the re-organization described by Ms. Faye Chiogioji in HECO ST-15, the AMI functions were transferred from the Customer Installation Department of the Energy Solutions process area to the new System Integration Department. The AMI functions have existed since 2007 and the staffing plan for the AMI Division in the 2009 test year included six staff positions: one AMI Director, one AMI Project Manager, one AMI Systems Administrator, one AMI Project Engineer, and two AMI Systems Engineers. (HECO ST-15 at 3 to 4).

Hawaiian Electric's response to PUC-IR-119 clarified that the Director position was filled in July 2007, the Systems Administrator position was filled in September 2007 and the Project Manager position was filled in September 2007. The Company originally filled the first Systems Engineer position in February 2009 but this staff member transferred to Corporate Planning in

July 2009 and was replaced by a new hire in August 2009. The second Systems Engineer position was filled in August 2009, and the Project Engineer position was filled in July 2009. (PUC-IR-119 response at 4). "In the test year, these positions are performing functions that are not subject to approval of the Company's application in the AMI proceeding, Docket No. 2008-0303 ("AMI Application"). Rather, they are conducting research, testing and development functions for AMI that started in 2006, well before the execution of the Energy Agreement in October 2008, and are performing work required by participation in the AMI proceeding. Extensive research, testing and development of AMI are necessary given the broad scope and complexity of the AMI system and the need to ensure that the system and the meters work correctly for customers when implemented." (PUC-IR-119 response at 2.) The scope and work activities of these six AMI positions' are detailed in Hawaiian Electric's response to PUC-IR-119, pages 7 to 10. The AMI Application also seeks surcharge recovery only of incremental AMI costs beginning with the implementation of the meter data management system ("MDMS") scheduled to begin in 2010 (AMI application at 66). The labor costs incurred prior to that point to develop the AMI system, develop the Company's AMI Application, and support the application in the AMI proceeding will not be recovered via the AMI surcharge, and must be recovered through base rates.[1] (PUC-IR-119 response at 2.)

For the reasons cited above and since approval of the AMI application was also anticipated to be obtained in late 2009 at the time HECO ST-14 was filed (July 20, 2009), the proposed leased space would still be required for the AMI Division and therefore, the incremental lease cost associated with AMI was not removed from the 2009 test year rate case estimates.

[1] Costs for research, testing and development of AMI and associated labor costs were approved on an interim basis to be included in base rates in Hawaiian Electric's 2007 test year rate case, Docket No. 2006-0386 and the Company has requested identical treatment for these types of costs in the instant docket. (PUC-IR-119 at 2, and footnote 1.)

With the reorganization stated above, the former Renewable Energy Power Purchase Division in the Power Supply Services Department was transferred to the new Resource Acquisition Department. The old division was split into two new divisions, Power Purchase Administration Division and Power Purchase Negotiations Division. (See HECO T-7 Rate Case Update at 22 to 26, and HECO ST-15D at 4.) The new Power Purchase Negotiation Division continued to be responsible for processing independent power purchase proposals for new generation, including those that arise out of the Framework for Competitive Bidding, coordinating technical and financial reviews of the proposals, and negotiating and executing power purchase agreements. (See HECO ST-15D at 4.) As stated in Attachment 1 of PUC-IR-118, two of four positions in the Power Purchase Negotiation Division (i.e., positions #4 (Power Purchase Negotiation Division-Director) and #5 (Power Purchase Negotiation Division-Negotiator) were identified as HCEI-related positions. These two positions are targeted to have only 25% of their work activities as related to HCEI (i.e., related to the feed-in tariffs ("FIT") power purchase contracting, upon Commission approval of FIT), while 75% of their work activities are not related to HCEI. The functions of these two positions are further detailed in HECO ST-15D, pages 8 to 9. The Power Purchase Negotiation Division will eventually be staffed by four people. The two other employees for this division are currently in the Power Purchase Administration Division and work on administering the existing power purchase agreements as well as participating in negotiations for new proposals. These activities were performed by the old Power Purchase Administration Division prior to the reorganization. The two positions will be transferred from Power Purchase Administration Division to the Power Purchase Negotiation Division after the vacant Power Purchase Negotiation Division-Director position has been filled.

As with the AMI Division, the Power Purchase Negotiation Division perform work largely unrelated to HCEI and these work activities were on-going responsibilities even before the signing of the Energy Agreement in October 2008. The proposed Central Pacific Plaza's 21st floor office space was still needed to provide offices and work stations for personnel of the Renewable Energy Power Purchase Division, who continued to perform normal power purchase administrative work not contingent upon Commission approval. Although two vacant positions of the Renewable Energy Power Purchase Division were removed from the 2009 test year rate case estimates in accordance with the Commission's ID&O, the proposed office space for these vacant positions were kept in the 2009 test year rate case estimates since in the meantime, until these positions are staffed, the office space could be used to alleviate the current office space shortage.

Update on the Four New Leases:

The Company included four new leases in the 2009 test year rate case estimates amounting to $288,000 as follows: $18,000 for Waterhouse Suites 105 and 106; $55,000 for Waterhouse Suites 401, 402 and 403; $126,000 for 445/461 Cooke Street; and $89,000 for Central Pacific Plaza 21st floor. The following is the current status of these four leases:

Waterhouse Suites 105 and 106: This lease was signed on August 15, 2008[2] and was to be used as additional office space and/or workstations to alleviate space shortage at the Ward I Building for temporary growth, consultants and satellite work areas[3]. Currently, the Company is not paying any rent on this lease which was to have commenced on September 1, 2009 as the existing tenants occupying suites 105 and 106 have not moved out. The Company is currently negotiating with Waterhouse to terminate the 105 and 106 (combined 2,000 sq.ft.) lease, and to

[2] A copy of the lease is at Attachment 1 to HECO T-14 Rate Case Update. The lease was filed pursuant to a protective order filed on November 21, 2008.
[3] CA-IR-345 (Revised 3/31/09) page 6.

lease suites 110 (3,817 sq.ft. of warehouse space) and 111/113 (2,256 sq.ft. of office space) instead. Suites 110 and 111/113 is to be used for the relocation of the Meter Engineering Division currently located in the Ward I Building basement (Attachment 1 to this response includes the confidential proposals for suites 110, and 111/113[4]).

445/461 Cooke Street: The Company decided not to enter into this lease due to budget constraints in June 2009 and attempted to secure new leases which would match the allowed incremental test year estimate for the four new leases. The Company had preliminary plans to relocate the Meter Engineering Division and the AMI Division to this location. Instead, the latest plan is for the Meter Engineering Division to relocate to Waterhouse suites 110 and 111 which the Company is currently negotiating for. Also, since the AMI project has been extended[5], the AMI Division does not need the additional space at this time, however additional space will be required during the build-up of the AMI project team, including its consultants, near or upon AMI project approval. The Company is reviewing whether future lease expenses related to the AMI project should be recovered through the AMI project surcharge.

Central Pacific Plaza 21st Floor: Similar to the 445/461 Cooke Street lease, the Company decided not to enter into this lease due to budget constraints in June 2009 and pursue new leases which better match the allowed incremental test year estimate for the four new leases. The Company had preliminary plans to relocate the Power Purchase Division, Renewable Energy Power Purchase Division, Corporate Planning Division, and the Energy Solutions Manager to this location. Instead, the existing personnel of these Divisions will remain at their current

[4] Attachment 1 to this response is being filed under the Protective Order issued on November 21, 2008 since it contains confidential lease negotiation information. Public disclosure of this information might jeopardy the Company's future lease negotiation positions with landlords and commercial property management companies.

[5] HECO ST-14 was filed on July 20, 2009 in respond to the Commission's ID&O. The request to extend the AMI docket's prehearing conference and evidentiary hearing was filed August 28, 2008, in Docket No. 2008-0303, which extended these two procedural steps from September 2009 to June 2010. The Commission granted HECO's request to extend the deadlines for these two procedural steps but amended the dates to July 2010 and added additional procedural steps for discovery and supplemental testimony by letter dated September 14, 2009.

locations. In August 2009, the Company entered into a lease with Central Pacific Plaza for suite 1050 (547 sq.ft., includes common area) commencing in August 1, 2009. Attachment 2 to this response is a copy of the lease which is confidential.[6] With this new space, the Central Pacific Plaza, 10th floor was slightly rearranged to accommodate the Energy Solutions Manager who relocated from the Waiau power plant. Suite 1010 (formerly a conference room), is now the Energy Solutions Manager's office. The new space, suite 1050, is now the conference room.

Waterhouse Suites 401, 402 and 403: This office space is currently being occupied by the Asset Management Department as originally planned.

[6] Attachment 2 to this response is being filed under the Protective Order issued on November 21, 2008 since it contains confidential lease information. Public disclosure of this information might jeopardy the Company's future lease negotiation positions with landlords and commercial property management companies.

Confidential Information Deleted Pursuant To Protective Order, Filed on November 21, 2008.

PUC-IR-126
DOCKET NO. 2008-0083
ATTACHMENTS 1-2

Attachments 1 and 2 contain confidential information and are provided subject to the Protective Order filed on November 21, 2008 in this proceeding.

PUC-IR-131

Please describe how the presence or absence of the proposed Power Purchase Adjustment Clause could affect utility energy acquisition decisions. Could it affect decisions to build new generation or purchase power from third parties? If so, please explain how.

HECO Response:

The Company explained its proposed PPAC in HECO T-22, pages 2 to 4, and in greater detail in HECO ST-20, pages 1 to 11. The PPAC proposal is summarized as follows:

- The Hawaiian Electric Companies will be allowed to pass through reasonably incurred purchase power contract costs, including all capacity, O&M and other non-energy payments approved by the Commission (including those acquired under the feed-in tariff) through a separate clause.
    - If approved, these costs will be moved from base rates to the new clause.
    - The clause will be adjusted monthly and reconciled quarterly.

The primary purpose of the PPAC is to enhance the Company's financial profile and help maintain Hawaiian Electric's current credit rating. A financially stable utility will be able to invest in new renewable resources and infrastructure to facilitate the addition of new renewable resources from independent power producers, to convert the existing system to renewable technologies. See, Rate Case Update, HECO T-20, at 1. In addition, renewable purchased power development will be promoted, because a company with a strong credit rating is more likely to attract renewable resource developers than a company with a weak credit rating. A creditworthy off-taker helps to attract prospective independent power producers. See, HECO RT-20, at 20.

If the proposed PPAC is approved and lowers the risk factor assigned by the Standard & Poor's rating agency ("S&P") from 50% to 25%, the Company's imputed debt would decrease by $212 million. The reduction in imputed debt would improve the Company's financial ratios as viewed by S&P or could create room to accept more imputed debt from renewable PPAs, or some combination of the two.

In the long term, customers could potentially benefit from approval of the PPAC, if the PPAC results in a lower imputed debt, through decreased interest rates and/or increased debt proportions (and lower common equity proportions) in Hawaiian Electric's capital structure. Lower interest rates and more debt/less common equity will result in a lower weighted cost of capital, a lower rate of return on rate base, and, ultimately, lower rates. See, HECO RT-20, at 21. More debt and less common equity in the Company's capital structure lowers the cost of capital, because the cost of debt is lower than the cost of common equity. See, HECO T-20, at 50.

A PPAC could affect Hawaiian Electric's decision-making process to acquire generation capacity.[1] Under the Commission's Competitive Bidding Framework ("Framework") established by its Decision and Order No. 23121 in Docket No. 03-0372 on December 8, 2006, "[c]ompetitive bidding, unless the Commission finds it to be unsuitable, is established as the required mechanism for acquiring a future generation resource or block of resources, whether or not such resources has been identified in a utility's IRP."[2] The Framework further states, "The role of the host electric utility in the competitive bidding process shall include … [c]ompeting in the solicitation process with a self-build option, unless a waiver is granted."[3] In short, new firm capacity resources must be acquired through a competitive bidding process (unless a waiver from the process is sought by the utility and granted by the Commission), and the utility must compete in its own solicitation process (unless a waiver from the process is sought by the utility and

[1] While the information request specifically refers to "utility energy acquisition decisions", HECO is responding herein as it pertains to utility capacity acquisition decisions since the HECO Companies' proposed PPAC applies to capacity, O&M and other non-energy payments.
[2] Paragraph II.A.3, on page 3, of the Competitive Bidding Framework.
[3] Paragraph III.A.1.h., on page 10, of the Framework.

granted by the Commission). The evaluation of the proposals (including the utility's proposal, if one is submitted) received through the competitive bidding process will take into consideration price and non-price factors, including the cost of rebalancing as a result of imputed debt. The bid evaluation/selection criteria section of the Competitive Bid Framework includes the following:

> The impact of purchased power costs on the utility's balance sheets, and the potential for resulting utility credit downgrades (and higher borrowing costs), may be accounted for in the bid evaluation. Where the utility has to restructure its balance sheet and increase the percentage of more costly equity financing in order to offset the impacts of purchasing power on its balance sheet, this rebalancing costs shall also be taken into account in evaluating the total cost of a proposal for a new generating unit if IPP-owned, and it may be a requirement that bidders provide all information necessary to complete these evaluations."[4]

The Companies are following S&P's method of imputing debt to evaluate purchased power agreements. If the PPAC results in a lowering of the risk factor assigned by S&P, this would lower the imputed debt attributed to the purchased power agreement, and lower the costs of rebalancing which are considered in the evaluation of the purchased power agreements. The presence or absence of a PPAC would not directly impact the evaluation of a utility-owned bid. Availability of the clause could thus reduce the cost of adding purchased power from third parties, and in that sense, improve their position in the evaluation process vis a vis utility-owned generations.

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[4] Paragraph IV.E.8, on page 21, of the Framework.

PUC-IR-137

How did HECO's electricity sales forecast consider changes in rate design? Such changes include modifications in TOU rates and the introduction of inclining block rates for residential service. If rate design changes were not considered in electricity sales calculations, please describe the reason for their omission from sales projections.

HECO Response:

Hawaiian Electric's electricity sales forecast did not consider changes in rate design. Changes in HECO's rate design have not yet been approved by the Public Utilities Commission and the timing of the implementation of such changes is currently unclear. The rate design changes were also not incorporated into the sales forecast due to the uncertainty about the actual impacts such changes may have on the usage of electricity by the Company's customers. While some of the rate design changes could reduce electricity sales, others may simply shift the time when electricity is being used. An estimate of the magnitude of the impact of the proposed rate design changes on electricity sales in Hawaii is not currently available.

PUC-IR-163

According to page 5 of HECO ST-15(B):

> "The [Public Utility Employers Institute] survey reflects that in 1995, Hawaii Electric was __ ranked highest in Lineman wages out of 14 companies that responded. In 2009, Hawaiian Electric was ranked __ out of 14 companies that responded."

Please provide HECO's PUEI survey rankings and average wages for both 1995 and 2009 for all available employee functional areas or positions. Please state whether each such functional area or position is staffed by merit or non-merit employees.

<u>HECO Response:</u>

The PUEI group only surveys wages for the lineman position among its membership. Other functional area positions are not surveyed and tracked by PUEI.

PUC-IR-168

Please describe the costs associated with the eMESA software in more depth than provided in HECO-S-1103. Describe which costs are one-time implementation costs and which costs are ongoing. Provide estimated cost during both 2009 and 2010. How long does HECO anticipate that this software will be used and useful?

HECO Response:

eMESA is a computer software program for work scheduling and work planning. The Power Supply O&M Department intends to replace the currently used PaSTA program with eMESA beginning in mid- to late-November 2009. HECO is currently working with consultants to customize the software to be able interface the eMESA software with our current Ellipse system. eMESA will provide improvements over PaSTA, as it will be fully integrated with Ellipse; it allows customization to match work processes; it has the ability to attach externally created files and information to work orders, equipment information, and requisitions; and has simplified search capabilities to obtain information from Ellipse. The Energy Delivery process area also intends to utilize eMESA in 2010.

Since 2001, Power Supply O&M Department has been utilizing a software product from PR&O Solutions called PaSTA for scheduling maintenance work order. The amount budgeted for PaSTA in 2009 is $36,000 and is shown in CA-IR-2, HECO T-7, Attachment 11I, page 1. HECO incurred $31,400 for PaSTA expense in 2009, and no other PaSTA expenses are expected for 2009.

PaSTA was found to be unable to satisfy important needs of the Power Supply O&M Department. PaSTA shortcomings include:

1. A key metric in PaSTA called Schedule Compliance (the percentage of work completed vs. the work scheduled for the week, for each craft and each work crew) does not capture all

the information. Schedule Compliance is a critical measurement in work scheduling and execution and indicates whether or not work is being properly planned and executed.

2. PaSTA will not interface with Ellipse. Work orders have to be closed both in PaSTA and Ellipse, resulting in the performance of double work. Also, not all work orders created in Ellipse transfer to PaSTA. In addition, purchase requisitions cannot be created in PaSTA and transferred to Ellipse.
3. Supporting documents to facilitate the execution of the work cannot be attached to work orders.
4. PaSTA is not customizable and HECO's work practices had to be changed to match the software rather than the software changed to match the work process.
5. Support and response from PR&O to repair problems with PaSTA is non-existent or slow.

In 2007, Power Supply O&M Department began considering replacement of PaSTA with a better product. Products from Mincom, Dimension Technology Solutions ("DTS"), and PR&O Solutions were considered. PR&O Solutions, however, was not able to provide an evaluation copy by November 2008. The product eventually selected as a replacement in April 2009 was DTS's eMESA. The significant improvements from eMESA include the following:

1. eMESA will more fully integrate with Ellipse. As examples, work orders created and modified in eMESA will transfer to Ellipse and vice versa, work order cost information will transfer from Ellipse to eMESA, and requisitions can be created in either eMESA or Ellipse and transferred between the two.
2. Supporting documents for Job Plans can be attached to work orders in eMESA. These documents would include digital images of the problem, digital images of the equipment, maintenance procedures, purchase quotes and requisitions, materials listings, tools listings, equipment drawings and specifications sheets, and other documents which would facilitate

the work effort. Upon completion of the work, work completion reports can also be attached to the work order as a reference for future work.

3. eMESA is customizable and will allow for the software to be adapted to the work rather than have the work adapted to the software. This will aid in the utilization of the software. To date, DTS has also been much more responsive in their support of eMESA during the customization process.
4. The flow of the work process is more intuitive with eMESA. This will also aid in the utilization of the software.
5. The subscription fee cost of eMESA was discounted for a 37-month commitment by HECO. The subscription fee also includes the cost of future updates or enhancements. The cost of future customization is not included in the subscription fee.

The amount included in the test year for eMESA software is included in two parts. The cost of the software ($101,300) and the software maintenance costs ($20,300) totaling $121,600 are included in Account No. 921. Consulting costs for DTS for installing and customizing the software of $102,600 and the travel costs for the consultants of $24,500 totaling $127,100 are included in Account No. 923020. See Attachment 1. Of the total of $249,000 included in the test year for eMESA, $228,387 were one-time costs and $20,254 were recurring costs.

Subsequent to the costs provided in direct testimony, DTS changed the method in which they implement and support their software. Originally, DTS sold the software licenses which were to be installed locally within HECO's data center. DTS will now only host the software within their data center and charge a subscription based on usage. As shown on Attachment 1, the 2009 costs for eMESA are now estimated at $412,000 for the implementation of the software to interface with our Ellipse data base. HECO will not have a software and maintenance charge under this arrangement. HECO would not incur HECO data center costs. The $412,000 amount can be broken down as follows:

1.	eMESA quote to modify software	$246,080
2.	10% contingency	$24,608
3.	Onsite quote for training and Go Live assistance	$48,000
4.	Travel & living for Go Live (3 consultants 3 weeks)	$23,400
5.	Travel & living for User's acceptance and support	$23,400
6.	2 months subscriptions	$28,000
7.	General excise tax	$18,541
	Total	$412,000

The amounts of $246,080 to modify software and $48,000 for onsite training totaling $294,080 are further detailed in the eMESA quote included as Attachment 2 to this response.

After implementation, HECO will be charged a recurring subscription fee based on the number of users. The subscription fee charges will be recorded in the functional accounts consistent with where the users charge their time. The eMESA cost estimate for 2009 includes an estimated amount for two months of subscription fee ($28,000 as shown above). The total subscription fee in 2010 is estimated at $163,000 and shown in Attachment 3 to this response.

When the budget was developed, it was assumed that the costs would be split among HECO (70%), HELCO (15%), and MECO (15%), and the costs included in the test year were just HECO's portion. The current plan is that eMESA would only be used at HECO so the Consulting costs estimate is no longer being split among HECO, HELCO, and MECO. As a reference, the removal of the HELCO and MECO allocation from the originally estimated amount of $249,000 would have increased HECO's cost to $355,000, an increase of $106,000.

The combination of the additional software customization, the change to the subscription fee model, and the removal of the HELCO and MECO allocation increased the eMESA cost by $163,000 from $249,000 to $412,000 for 2009.

HECO anticipates use of this software for at least 37 months, as the pricing assumes a 37 month commitment, and will replace the current Pasta scheduling software in use in the Power Supply O&M Department and also within Energy Delivery. We understand that this tool is also compatible with other ERP systems in addition to Ellipse.

The test year estimate for eMesa of $249,000 is significantly less than the amount HECO will incur for eMesa in 2009. In addition, HECO will have on-going costs related to eMESA. Please also refer to HECO's response to PUC-IR-167 regarding normalization of software implementation costs. In this case, if the costs related to eMesa is to be normalized, considering HECO will be having a 2011 rate case, the cost of the implementation in 2009 of $412,000, and the on-going subscription fees in 2010 should be considered in determining a normalization amount in determining test year expenses.

HECO signed a non-disclosure agreement with DTS and the detailed eMESA quote in Attachment 2 and subscription fee estimate in Attachment 3 contain detailed work scope and per hour rates. The pricing information in Attachments 2 and 3 are confidential and are redacted. Attachments 2 and 3 are provided subject to the Protective Order filed on November 21, 2008 in this proceeding.

Original eMESA O&M estimate
(HECO's Portion)

	2009	2010
One Time Costs		
921 Software	101,271	-
923 Consulting	102,618	-
923 Consulting - Travel exp	24,499	
Recurring costs		
921 Software maintenance	20,254	20,761
Total	**248,642**	**20,761**
Total by NARUC Account		
921 Software/software maint.	121,525	20,761
923 Consulting	127,117	
	248,642	20,761

Allocated %

HECO	70%
HELCO	15%
MECO	15%

Revised eMESA O&M estimate *
(HECO Only)

	2009	2010
One Time Costs		
921 Software	-	-
923 Consulting	412,029	-
Recurring costs		
921 Software maintenance	-	-
various Subscription Fees		163,032
	412,029	**163,032**
Total by NARUC Account		
921 Software/software maint.	412,029	
various		163,032
923 Consulting		
	412,029	163,032

* Additional sofware customization, change to the subscription fee model and removal of allocation to HELCO and MECO.

PUC-IR-168
DOCKET NO. 2008-0083
ATTACHMENT 1

Confidential Information Deleted Pursuant To Protective Order, Filed on November 21, 2008.

PUC-IR-168
DOCKET NO. 2008-0083
ATTACHMENT 2
PAGE 1 OF 4

Estimate

Date 9/11/2009
Initial Document # EST_0176

Expires 10/11/2009
Sales Rep EMPL_18 Hiers, Fred
Memo
Terms

Dimension Technology Solutions
9800 Mt. Pyramid Ct.
Suite 130
Englewood, CO 80112
303-406-2400
http://www.dts-global.com

Bill To
Gilbert Ho
HECO
P.O. Box 2750
Honolulu HI 96840-0001
United States

Item	Qty	Description	Rate	Amount
		**Scope: DTS agrees to deliver functionality as defined in the phase 1 section of the scoping document. **Professional Services: DTS Training and Professional Services to be billed at agreed upon rate indicated above. **Exhibits: (see attached Exhibits as applicable) **Schedule: Target Start Date: __/__/____ Target Go-Live Date: __/__/____ (All Dates Subject to Change) **Additional Details (if any):		
eMESA Live Professional Services	170	Section 6.2 Work Order modifications -Original Estimate = 110 -Job Card Changes = 15 -REMOVED _ Add in APL association at Task Level (ED) - 30 -Multiple Resources at the task level - 30 -Review WO Screen add OUTAGE number filter - 4 -Add Cost Code to WO Screen (ED)- 4 -Replace Completion Comments with Extended Description (ED)- 7	[redacted]	
eMESA Live Professional Services	0	REMOVED Section 6.2.1.1.1: there be a user input in eMESA to define if a Standard Job or Parent Standard Job is being created or will the system know the difference between the two? •If creating a Parent Standard Job, the screen should have an input to name the Parent Work Order and also an input for the prefix. oDTS requires additional discover to define in detail the process to create work orders and packages from parent standard jobs. oHECO has indicated they use MSO62X to manage parent standard jobs. A detailed discover needs to be conducted to provide a refines estimate for the integration of this module This estimate is for the initial discover and scope defition. -Original was for a discovery session - 80 -NEW 6.2.1.1.1HECO Energy Delivery Engineering needs 090320: •We HECO create both Standard Jobs (individual work order) and		

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PUC-IR-168
DOCKET NO. 2008-0083
ATTACHMENT 2
PAGE 2 OF 4

eMESA LIVE

Estimate

Date 9/11/2009
Initial Document # EST_0176

Dimension Technology Solutions
9800 Mt. Pyramid Ct.
Suite 130
Englewood, CO 80112
303-406-2400
http://www.dts-global.com

Item	Qty	Description	Rate	Amount
		Parent Standard Jobs (multiple work orders). In Ellipse, HECO needs to specify this using a pull down menu before entering the Standard Job or Parent Standard Job code. Should there be a user input in eMESA to define if a Standard Job or Parent Standard Job is being created or will the system know the difference between the two? •oThis functionality is to select a Parent Standard Job and Create the Parent Work Order as well as the Work Orders as defined in the Parent Standard Job. •This is showing the Modify Parent Work Order Screen. •oRISK: Need to ensure the MIMSX connector handles this functionality, or a work around will need to be implemented. oUI layout to be similar to the current WO / WO Task , where the Header shows the Parent and the grid below will show Prefix, WO Number, Description. - 150		
eMESA Live Professional Services	120	Section 6.2.4.1.1: Modify Parent Work Order. This would allow for search for parent work orders and then seeing the link to associated work orders. -Original 90 -Modify screen with edits 30	[redacted]	
eMESA Live Professional Services	116	Section 6.3 Requisition -Original 110 -REMOVED__ Display address of Supplier on Screen from 200 record when supplier is selected for PREQ - 5 - Add approval status and position waiting approval - 6		
eMESA Live Professional Services	0	REMOVED___ 6.3.1.1.2: Requisition controls and valdation for capital orders Original = 80 NEW: •Users should be able to specify if the requisition is a NI (normal issue) or SI (scheduled issue). •Users should be able to create requisitions from an APL (uploaded from SMU). •Users should be able to choose between a "Normal Requisition" (stock materials) and "Purchase Requisition" (non-stock materials and outside services). The screens should only ask for user input relevant to each type of requisition. Currently the screens display user input for both types of requisitions. •Users should be allowed to split the total requisition cost (by percentages) over multiple work orders. HECO will add a reference to related requisition when ordering against a Work Order. This is to help reduce the duplicate requisition. Data to be displayed as a pop up similar to how related work orders are displayed on Create Work Order today. This will only display the last 10 requisition. -40		
eMESA Live Professional Services	226	Section 6.4 Planning/Scheduling - Original 200 - REMOVED___Mass Reschedule by Outage Number - 10	[redacted]	

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eMESA LIVE

Estimate

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Item	Qty	Description	Rate	Amount
		- Planner notes for when ED planner scheduled allows them to enter notes to the Crew and Day - 8 - Make Add Remove buttons un-selectable on Work Execution Screen when date is selected in the past - 1 - Add in 5th segment search as a free text field that uses the Advanced search. 2 - Add multiple calander selection when ED planner is scheduling PWO - 15		
eMESA Live Professional Services	0	REMOVED___ Section 6.5 Equipment -Original 20 -Add in Task Completion to HISTORY, and Access to Task Completion Comments - 18	[redacted]	[redacted]
eMESA Live Professional Services	150	Section 6.6 General Use/Searching - Original 140 - Additional Filtering impacts -10 - REMOVED__Associate APL Quick Link - 4	[redacted]	[redacted]
eMESA Live Professional Services	134	Section 6.1: HECO Reports/KPI's/Start Center - Blank Time Card - 8 - Date Range to Print Schedule - 4	[redacted]	[redacted]
eMESA Live Professional Services	322	Program Management Oversight (Fred Hiers)	[redacted]	[redacted]
eMESA Live Professional Services	80	Rostering - New Functioanlity - This would include the Rostering Sync from Ellipse dealing with the forward looking roster and the filter to not overwrite teh contractors manually entered from eMESA	[redacted]	[redacted]
eMESA Live Professional Services	220	- Crew Management Screen	[redacted]	[redacted]
Subtotal		Phase 1—	[redacted]	[redacted]
eMESA Live Professional Services	240	3 weeks fo training and go-live support	[redacted]	[redacted]
eMESA Live Professional Services	60	Assist with Training documentation	[redacted]	[redacted]
Subtotal		Go-Live Training Support—	[redacted]	[redacted]
		Terms & Conditions: **The amounts indicated in this estimate are good faith estimates but both parties acknowledge that DTS will charge based on actual hours worked at the agreed upon rate. All travel expenses to be billed at actual cost, with per diem billed at full day rate per published rates available at http://www.gsa.gov **Customer shall be responsible for all applicable federal, state, and local taxes including duties and applicable GST payments for all international orders. **All prices are quoted in USD unless otherwise specified.		

Estimate

Date 9/11/2009
Initial Document # EST_0176

Dimension Technology Solutions
9800 Mt. Pyramid Ct.
Suite 130
Englewood, CO 80112
303-406-2400
http://www.dts-global.com

Item	Qty	Description	Rate	Amount
		**Applicable purchase order is _______________ (to be completed by customer) **Confidentiality – The data collected in this project by both parties is considered to be highly confidential and proprietary in nature. All DTS software, including eMESA Live and any derivative works thereof, and associated worldwide intellectual property rights, are the exclusive property of DTS, and wholly owned by DTS. **This is a quote for your approval. By signing below you agree to the fees and terms of this estimate.		

Total $294,080.00

Hawaiian Electric Company, Inc.
2009 Rate Case
eMESA Live Pricing

User Packs (Maximum # of Users that will Access Per Month)	Qty	Price Per Month	Monthly Sub Total
C&M Crew Leader	[redacted]		
C&M Planner			
C& M Supervisor			
C&M Supv/Sprtdt			
Engineer			
Engineer Lead			
SysOps Supervisor/Planner			
SysOps Supt/MGRr			
CID Designer			
CID Supervisor			
CID Manager/Supv			
PS Manager			
PS Planner			
PS Engineer			
PS Operations			
PS Trades			
PS ACCT			
Administrator (Minimum 1 Required)			
Total Users			

Hawaiian Electric Company, Inc.
2009 Rate Case
eMESA Live Pricing

	Qty	Base Price	Price Per User Per Month
Additional Items			
Integration (Per Production Instance)	[redacted]		
- SAP Integration			
- Mincom Integration			
- MAXIMO Integration			
- JDE Integration			
- Oracle eAM Integration			
- Ultramain Integration			
- KRONOS Integration			
- Timekeep Integration			
- CyberShift Integration			
- Modular Mining Integration			
- Mincom LinkOne Integration			
- cXML Supplier Punchout			
- File Server Integration			
- Active Directory or LDAP Integration			
- Custom Integration			

Hawaiian Electric Company, Inc.
2009 Rate Case
eMESA Live Pricing

	Qty	Base Price	Price Per User Per Month	
Extras	[redacted]			
- Sandbox (Dev, Test, Training) - Per Environment				
- ODBC Access				
- Web Service API Access				
- Storage (per 100 GB) (Minimum 100 GB Required for DTS Hosted)				
- Restricted Access by IP Address				
- Custom DNS Name and SSL Certificate				
- Remote Management, Support and Monitoring				
- LinkOne OnDemand Publishing (150 Pages / Month)				
- LinkOne OnDemand Publishing (325 Pages / Month)				
- LinkOne OnDemand Publishing (500 Pages / Month)				
- Escrow				
Support				
-Bronze - E-Mail Support, 8x5				
-Silver - Phone & E-Mail Support, 8x5				
-Gold - Phone & E-Mail Support, 24x5,				
-Platinum - Phone & E-Mail Support, 24x7, Unlimited, Dedicated Service Rep				
Sub Total				
Total Discount (based on volume)				
Total Discount (based on term)				
Total Monthly				**$ 13,586**
Total Annual				**$ 163,032**

**NOTE: TRAVEL TIME Time Spent In-Transit in Airports, Taxi, Car commuting to and from customer site Travel is billed as actual. Travel is billed as follows: $90/hr Travel Time ; Travel Costs billed directly (airplane, taxi, lodging, car rental) ; Per Diem as defined by GSA website for area

PUC-IR-177

Do the other operating revenues in the FERC Form-1 include the same item categories as the other operating revenues described on pages 8 through 11 of the proposed Settlement Agreement and Exhibit HECO-304? Restated are they comparable on an apples-to-apples basis? If not, please describe why they are not comparable.

HECO Response:

Yes, they are comparable for FERC Form 1 lines 16, 17, 19, and 21. See Attachment 1 to the response to PUC-IR-180.

PUC-IR-178

Why are the 2009 test year other operating revenues of $4,262,000 on page 11 of the proposed Settlement Agreement lower than the 2008 FERC Form 1 other operating revenues of $6,528,974?

HECO Response:

The 2009 test year other operating revenues of $4,262,000 shown on page 11 of the proposed Settlement Agreement do not include $615,000 for the gain on sale of utility property; the total 2009 test year estimate for other operating revenue is $4,877,000. The primary differences between the 2008 FERC Form 1 other operating revenues of $6,528,974 and the 2009 test year estimate are due to differences in revenue for delinquent payments, for electric property rental, and for other electric revenue, as shown on Attachment 1 to the response to PUC-IR-180. The estimate for revenue for delinquent payments is about $925,000 lower in the 2009 test year. In the 2009 test year, delinquent payment revenue is estimated at 0.089% of the electric revenue at proposed rates in the settlement agreement. The 2009 test year estimate of rents from electric property is about $182,000 lower than 2008 for lease rent for substation sites, as described in HECO's response to PUC-IR-179. In 2008, in other electric revenue, the Company reported $652,000 in revenue for the Airport dispatchable standby generation ("DSG") project. No revenues or expenses for this project are forecast for the 2009 test year.

PUC-IR-179

Please explain why the "rent from electricity property" of $1,068,624 in HECO's 2008 FERC Form 1 appears to exceed such revenues in Exhibit HECO-304, which includes 2009 test year estimates of license and rents of $353,000 and telecom rents of $207,000. Provide documentation of any changes in contracts with third parties that will affect other operating revenues.

HECO Response:

The 2009 test year estimate of rents in account 454 is $871,000, which includes the Property Licenses and Leases of $353,000, the Telecom rents of $207,000, and the Parking and Carpool Revenue of $311,000. See HECO-304 and see Attachment 1 to HECO's response to PUC-IR-180. The primary difference between the 2008 FERC Form 1 value and the 2009 test year estimate is lease rent for substation sites in the 2009 test year is $182,000 lower. One of the substation sites is non-utility property, and rent from that property is properly recorded to NARUC account 418 beginning in 2009.

PUC-IR-185

Please describe any recent HECO policies to reduce the cost of inventory held in consignment. With respect to any such policy, provide the following:

(a) A full and detailed narrative description of the policy
(b) Any documents detailing the policy
(c) Expected savings from the policy in both 2009 and 2010
(d) Whether the policy is expected to continue going forward or operate for only a short time and why. If it is only expected to operate for a short duration, specify the termination date.

HECO Response:

a. The consignment program being evaluated is a Vendor Managed Inventory (VMI) program offered by the current supplier of our wood poles, Stella Jones Corporation. The proposed consignment program for wood poles has not yet been implemented. Under the VMI program proposal, the supplier owns the wood pole inventory located at the HECO pole yard facility and manages the stock level of the various poles based on HECO stocking requirements. The stocking requirements would be the established quantities of poles required by HECO to be available for use on Oahu in addition to established quantities that are available for immediate shipment from the supplier's factory located in Arlington, Washington. The quantities for the stocking requirements are based on projected usage for one quarter. The quarterly projected usage is derived from historical annual usage for each pole size and class. The stocking requirements may be adjusted during the VMI program if the actual usage of poles warrants changes. Changes would generally be proposed by HECO, but may also be recommended by the supplier. Changes would be made only with prior HECO approval.

At the start of the VMI program, the supplier proposes to issue to HECO a credit memorandum for poles currently held in stock at the time of the start of the program. This credit memorandum will be applied to the replenishment of poles. As replenishment continues, the credit memorandum's value will continue to decrease. After the credit memorandum is used in its entirety, HECO would begin to process invoice payments for pole usage as poles are used from the HECO pole yard facility. Based on the value of the poles, HECO expects it will take approximately 6 months before the credit memorandum will be completely utilized.

During the VMI program, as each pole is removed from the yard to be placed into service, each pole would be invoiced to HECO and another pole would be shipped from the supplier to replenish it. Each pole would be labeled with a 2-part identification tag. When a pole is taken out of the pole yard for use, the tag is torn off and turned in to designated personnel for tracking. HECO personnel would provide the tag information weekly to the supplier to initiate invoicing and pole replenishment. Replenishment shipments would be made in truckload quantities on the next available barge. Usage and invoicing would be reconciled on a quarterly to semi-annual basis by conducting an on-site physical count at the HECO pole yard facility. The physical count would be performed and managed by both the supplier and HECO personnel. HECO is still evaluating certain potential issues related to the consignment arrangement.

The issuance of the credit memorandum for poles currently held in stock at the time of the start of the program would essentially transfer the ownership of the inventory of the poles to the supplier at the start of the program. It is our understanding that such a transfer would require approval of the Commission under Condition 13 of the HEI/HECO Conditions of Merger as the inventory of poles are part of T&D inventory which is in rate base. Thus before implementing this consignment program, HECO would seek Commission approval to transfer the existing inventory of poles to begin the program.

b. See Attachment 1 to this response for the proposal provided by our vendor for the VMI program.

c. The cost savings provided from the VMI program is attributed to the reduction of HECO's carrying costs by having the supplier take the responsibility and ownership of the wood pole inventory, while the wood pole inventory is physically located in the HECO pole yard facility.

The VMI program is not expected to generate any savings in 2009 as it is not expected to be implemented this year. HECO bears the carrying cost of the credit memorandum until the credit is entirely utilized. Thus if the program began in the beginning of 2010, the savings would begin in the middle of 2010, given it will take approximately six months to utilize the credit. Based on the savings of the carrying cost of the estimated wood pole inventory value of $461,000 for half a year, the estimated reduction in revenue requirements in 2010 would be approximately $35,000. [Inventory amount of $461,000 for one-half year (or $231,000 reduction in rate base) x rate of return on rate base of 8.45%, and divided by the operating income divisor of 0.55665).

d. The VMI program proposal is for the program to be effective for a period of three (3) years. HECO has the ability to continue or terminate the program after the three year period.

Stella-JoneS Corporation

Stella-Jones Corp.
6520 188Th St. N.E.
Arlington, WA 98223
PH: 360-403-8008
Fax: 360-435-3035

August 9, 2009

Ms. Theresa Harrison (WAG-VP)
Purchasing Buyer
Hawaiian Electric Co.
Box 2750
Honolulu, HI 96840

Re: Strategic Alliance

Dear Theresa,

Stella-Jones Corporation is pleased to be chosen as your aligned partner for the supply of your pressure treated wood pole requirements. We welcome this opportunity and look forward to a long and mutually beneficial relationship.

The Wood Pole Base Unit Price submitted will be in effect starting September 1, 2009 and be firm through August 31, 2012 except for Barge Fuel Surcharge submittals. On or about July 28, 2012 Stella-Jones Corporation will negotiate for adjustment of these prices for a one year extension using the Consumers Price Index.

A) **Supplier – (Stella-Jones Corp. (SJC)) VMI Responsibilities**

1) **SJC Responsibilities for Hawaiian Electric Co. (HECO):**

Vendor (SJC) Stocking:

SJC will purchase by way of a credit memorandum, the value of the existing inventory, calculated using the new contract pricing at the HECO Pole yard.

SJC must maintain a Vendor Managed Inventory (VMI) at a designated HECO warehouse site for all stock codes which a Minimum VMI Inventory Level is identified. Inventory levels will be determined in a mutual agreement between HECO and Stella-Jones based on storage capacity and history usage. The estimated Stocking Levels were established in RFQ-060809-6 and will be the responsibility of Stella-Jones to maintain levels for shipment on next available barge. The total number of poles required at Stella-Jones will be adjusted by deducting those alike material assigned as VMI Inventory to equal stocking requirements. SJC shall ensure that the VMI inventory level is equal to or above the Minimum VMI Inventory Quantities indicated on the contract period. Using standard material management techniques, HECO may change the Minimum VMO Inventory Quantities for VMI items based on changes in historical demand and service level changes. HECO will conduct regular production schedule reviews and demand planning meetings with the SJC.

Replenishment:

It is the SJC responsibility to replenish (VMI) stock in a manner that will ensure the established Minimum VMI Inventory Levels are always available for use by HECO. HECO will provide all information available regarding historical demand patterns and any unusual projects. Replenishment will begin once HECO has updated SJC on usage of VMI Inventory. A weather proof tear-off label (see attached or similar) will be attached to the butt end of each pole. When a pole is transported from your yard, the tear off tag will be removed and turned into the warehouse manager or receiver's yard representative. The receiver's warehouse manager or yard representative would then notify SJC of the activity thus initiating bill of lading, invoicing and stock replacement to be shipped on next available barge.

Specification Conformance:

All wood poles shall be quoted and provided in accordance with this document and all applicable specifications including:

a) HECO Specification No. M7306-7 For Doulas Fir Poles Treated with Pentachlorophenol.

The Supplier is obligated to provide materials which meet the specifications that were offered in their original quotation, and produced in accordance with all applicable wood pole specifications. Substitutions of materials, not accepted in the original RF 060809-6 will not be permitted unless prior approval has been received, in writing, from the HECO Agent.

Shipping Conformance:

Wood poles shall be shipped in accordance with this document and all applicable wood poles specifications. Where this document conflicts with the applicable wood poles specification this document will supersede. Replacement stock shipments will be in truckload quantities and packaged to meet barge carriers requirements (current practice). Communications shall be held regularly to monitor the usage, establish and adjust re-order points for all sizes. Shipping requirements may be waived only after receiving authorization from the HECO Agent.

Other Supplier responsibilities:

The Supplier's sales agent is also responsible for the following:

- Facilitate continuous communications between HECO and the Supplier.
- Effectively communicate to HECO product delivery functions such as delivery requirements, shipping dates, manufacturing capabilities, etc.
- Facilitate efforts to coordinate and resolve field or product issues which may arise.
- Provide technical and field support assistance to HECO with regard to Supplier's products.
- Facilitate efforts to resolve and repair any damages incurred during shipment.
- Communicate the benefits and emphasize the importance of the contract to the Supplier's staff.
- Other manufacturing, Supply and Service related issues as required.

3) Hawaiian Electric Co. (HECO) Responsibilities:

1) Work with SJC in providing material stocking levels that represents VMI Inventory as being part of the required inventory stated in RFQ-060809-6 for Hawaiian Elect Co., Hawaii Electric Light Co. (HELCO) and Maui Electric Co. (MECO). Levels will be adequate for HECO operational needs and in proportional to current shipping standards used by barge carriers.

2) Report daily or weekly all material used from the VMI Inventory for invoicing purposes. Regular reporting is required which would initiate SJC to invoice accordingly to pricing established for RFQ-060809-6 and generate replacement material to maintain required VMI levels. Usage will be based on packaging of material in conformance to barge shipping requirements. Poles will be shipped in packaged quantities – (bundles – submitted with "RFQ"), HECO, will be required to purchase per piece when material is selected under the VMI Contract. Should HELCO and MECO enter into a VMI program, contracts would be established with terms and agreements of each utility.

3) The prices are F.O.B. Truck [carrier of our choice], your pole yard, Kapolei, HI. The terms are Net 30 days from time of shipment from your location. All deliveries for wood poles are to be made by truck with HECO providing the unloading of poles at VMI location. As noted under "Supplier's Responsibilities" above, shipping requirements may be waived only after receiving authorization from the HECO Agent. Hawaiian Electric Co. is responsible for maintaining the inventory. Mechanical damage, theft, etc. is the responsibility of Hawaiian Electric Co.

Upon acceptance of this agreement Stella-Jones Corporation will maintain a treated inventory at the Arlington, WA facility to provide the optimum time for shipping inventory replacements. All activities of the Hawaiian Electric Co. pole yard will be reported by fax or email on a daily or weekly basis (to be established).

Stella-Jones Corp. or its Representative will make semi- annual visits to your pole yard, to confirm count and status of the inventory.

If for any reason an unanticipated change should occur in this alliance, poles in stock at the Hawaiian Electric Co. pole yard and manufactured &/or stocked for Hawaiian Electric Co. at our Arlington, WA plant will become the property of Hawaiian Electric Co. and payment will be due 90 days after the date of the change.

Again Stella-Jones Corporation wishes to thank you for allowing us the opportunity to become a part of this exciting venture. We want you to be confident that we will do everything possible to ensure the success of our mutual "win win" goal.

Upon completion of your review please sign and return 1 copy of this letter indicating your acceptance of the terms of the alliance.

Please do not hesitate to contact me if you have any comments or questions.

Sincerely,

Douglas Howell
Regional Sales Manager

Enclosure

Accepted by: ______________________

PUC-IR-187

According to HECO, on page 54 of its application for the PV Host Pilot Program in Docket No. 2009-0098:

> **A. Host site lease payments -** For book accounting purposes, assuming the Host site lease agreement is determined to be an operating lease. the Companies will record and recognize the lease payments as lease rent expense as they are incurred. The Companies propose rate recovery of the revenue requirements resulting from the host site lease payments in each Company's next general rate case to the extent applicable.

Were any costs for site leases for the PV Host Program included in the revenue requirement in the proposed Settlement Agreement or the response to the Interim D&O in this rate case? If so, what costs were included?

HECO Response:

No. PV Host site lease expenses were not included in the revenue requirement in the proposed Settlement Agreement or in the revenue requirement as revised in response to the Interim D&O in the instant proceeding. At the time of the filing of the PV Host Pilot Program Application on April 30, 2009 in Docket No. 2009-0098, Hawaiian Electric anticipated that the program would begin in 2010.

As stated in Exhibit A to the proposed Stipulated Procedural Order approved by the Commission on September 2, 2009, in Docket No. 2009-0098, the Hawaiian Electric Companies intend to file their Reply Statement of Position on June 25, 2010.[1] If approved by the Commission, and depending on the timing of this approval, the PV Host Pilot Program could begin in 2010 or 2011.

[1] The "Parties" in Docket No. 2009-0098 are Hawaiian Electric Company, Inc. ("Hawaiian Electric"), Hawaii Electric Light Company, Inc. ("HELCO"), Maui Electric Company, Limited ("MECO"), collectively, the "Hawaiian Electric Companies"; the Division of Consumer Advocacy of the Department of Commerce and Consumer Affairs ("Consumer Advocate"); the Department of Business, Economic Development, and Tourism ("DBEDT"); Forest City Hawaii Residential, Inc. ("Forest City"); and Castle & Cooke Homes Hawaii, Inc. ("Castle & Cooke").

PUC-IR-188

According to Pages 10 and 11 of the Lifeline Rate Program application filed in Docket No. 2009-0096:

> The Companies will evaluate the incremental labor and non-labor costs to maintain and manage the Lifeline Rate Program above the costs included in base rates in the Companies' last approved test year rate cases one year after program implementation to determine if these incremental labor and non-labor or costs should be recovered in the Lifeline Rate Adjustment recovery mechanism. If the Companies find that these incremental labor and non-labor costs to maintain and manage the Lifeline Rate Program need to be included in the Lifeline Rate Adjustment recovery mechanism, the Companies will file tariff changes with the Commission in accordance with HAR §6-61-111. The changes to the tariff will be effective 30 days after filing with the Commission, unless suspended by the Commission or at a later dale as may be specified in the transmittal letter.

Were any administrative costs of the Lifeline Rate Program included in the revenue requirement in the proposed Settlement Agreement or the response to the Interim D&O in this rate case? If so, what costs were included?

HECO Response:

No base or incremental labor or non-labor costs to administer the proposed Lifeline Rate Program were included in revenue requirements in the proposed Settlement Agreement or the response to the Interim D&O. HECO did include labor and nonlabor costs to develop and design the Lifeline Rate Program (see Rate Case Update for HECO T-10, pages 5 and 6, and HECO ST-10, page 5), but included no costs for program administration in either the Settlement Agreement or response to the Interim D&O.

In the Company's Lifeline Rate Program application, filed April 30, 2009, in Docket No. 2009-0096, footnote 9 on page 8 states: "At this time, the HECO Companies are not proposing to estimate incremental labor and non-labor costs due to the uncertainties in enrollment and public response..."

PUC-IR-189

What was the total cost of IRP/CESP activities in the revenue requirement for both the proposed Settlement Agreement and in rates complying with the Interim D&O?

<u>HECO Response:</u>

The labor component related to IRP/CESP activities in the revenue requirement for the Settlement Agreement was as shown in HECO-1029 as $736,900. The non-labor component related to IRP/CESP activities in the revenue requirement for the Settlement Agreement (Exhibit 1 at 51) was $354,500 (see CA-T-1 at 113 to 114, and Exhibit CA-101, Schedule C-12). This was a reduction of $62,000 from the $416,500 that was shown in HECO-1030. Therefore, the total cost of IRP/CESP activities in the revenue requirement for the Settlement Agreement was $1,091,400.

In accordance with the Interim D&O, a 2% merit increase reduction was made at the Company level and was not distributed down to the specific program level. Therefore, the impact to the $736,900 labor component for IRP/CESP activities has not been calculated. For additional information regarding Company positions supporting the IRP/CESP activities included in the Interim D&O rates, please refer to HECO responses to PUC-IR-124 and PUC-IR-125. The Interim D&O rates include the same $354,500 for IRP/CESP non-labor activities as in the Settlement Agreement.